

Current Method of Purchasing Hospital Services

History

- In 1971 the Rhode Island Legislature enacted legislation to control hospital costs and encourage efficiency.
- The legislation to negotiate hospital cost (RIGL 27-19-14) applied to Medicaid, Blue Cross Blue Shield of RI; and, for a three-year trial period, Medicare.
- Today the reimbursement system only applies to Medicaid fee-for-service. The Rite Care health plans are responsible for the direct hospital expenses for their members.

Maxicap

- Prospectively negotiate with hospitals to establish an overall hospital industry cost (Maxicap).
- The agreed upon Maxicap is the maximum increase, in aggregate, for hospital annual costs.
- Individual hospitals would submit a Board-approved budget and a hospital specific percentage increase would be negotiated, but at no time would the total of the individual hospital percentage increases exceed the statewide Maxicap.
- Today the Maxicap is applied equally to all hospitals without hospital-specific negotiations.

Claims Payment

- Hospitals bill Medicaid using charges from a Board approved Charge Master for their facility.
- Each hospital has a Ratio of Cost-to-Charge (RCC) on file with MMIS for inpatient, outpatient and outpatient surgery services.
- The RCC times the hospital's charge equals payment.
- By Federal statute, Medicaid payment cannot exceed the upper payment limit (UPL) established by Medicare.

Year-end Settlement

- Hospitals are required to submit an annual cost report within one (1) year of the close of the hospital's fiscal year.
- The Maxicap for the settlement year is applied to the prior year budget to determine the allowed cost for the settlement year.
- Payments are adjusted for volume and if the actual RCC differs from the RCC used to pay claims, a settlement liability will exist for the hospital or state.

Neonatal Intensive care Unit (NICU)

- NICU services are paid on a per diem basis and are not the responsibility of the Rite Care health plans.
- The per diem is increased by the Maxicap annually.

Out-of-State Hospitals

- Rates are set by statute (RIGL 40-8-13.1) at 50% of the hospital's charge for inpatient services.
- Payments to out-of-state hospitals are final, with no year-end settlement.